

Recent economic data show that U.S. job growth in May was negligible, while the official unemployment figure-- at least the figure the Labor Department admits to-- rose to 9.1%. The real unemployment figure, however, as compiled by economist John Williams, may well be higher than 20%. It is clear the U.S. economy is in terrible shape, and that no amount of government spending or Federal Reserve quantitative easing can reduce unemployment, increase real productivity, or address our debt fiasco. U.S. jobs and productivity are dependent on the accumulation of private capital to finance existing businesses or fund new entrepreneurial activity. Private capital-- whether accumulated by profitable U.S. businesses, invested by private equity and venture capital firms, or attracted from abroad-- is the key to economic growth and new jobs. But we cannot create jobs if we demonize profits, punish risk-taking capitalists, and stay hostile to foreign investment.

The steps to encouraging capital investment and creating new jobs in America are simple, though not easy:

- First and foremost, we must create a sound U.S. currency backed by gold or some other commodity respected by the market. No nation in history with a rapidly depreciating currency has attracted private capital. Unless and until we prohibit the Treasury and Federal Reserve from essentially creating money and credit from thin air, we cannot restore the U.S. economy.
- Second, we must create a favorable regulatory environment for U.S. business. This cannot be stressed enough. When businesses don't know what's coming next from the EPA, when Obamacare spikes their healthcare costs, or when the Dodd-Frank bill adds almost unknowable regulatory compliance burdens, businesses simply will not expand and hire. It is time to start shrinking the federal register.
- Third, we must stop spending trillions of dollars overseas on foreign wars. There is no point in debating a foreign policy we cannot afford. It no longer matters what neoconservatives want. Our interventionist foreign policy is financed on credit, and our credit limit has been reached. Our economy would be infinitely better off if those trillions of dollars had never been removed from the private economy or added to our debt.
- Finally, we must completely revamp the U.S. tax system and move to a territorial model that does not tax foreign source income. U.S. corporations are sitting on more than a trillion

dollars in foreign earnings that cannot be repatriated to the U.S. because of taxes. We need to stop taxing unpatriated funds to bring those earnings home. Better yet, we need to abolish the income tax altogether.

The U.S. economy is in deep trouble. Congress needs to act immediately to restore the rule of law and create an environment that rewards, rather than punishes, the critical components of any healthy economy: capital accumulation and investment.

In this struggling economy it is essential for politicians to take a step back and think about what government has been doing to business in this country. In less than 200 years, the free market, property rights, and respect for the rule of law took this nation from a rough frontier to a global economic superpower. Today, however, our nation and our economy clearly are headed in the wrong direction.

Of course, America has never enjoyed absolute free-market capitalism: creeping government intrusion and special interest political patronage have existed and increased since our founding. But America historically has permitted free markets to operate with less government interference than other nations, while showing greater respect for property rights and the rule of law. Less government, respect for private property, and a relatively stable legal environment allowed America to become the wealthiest nation on earth.

By contrast, the poorest nations almost always demonstrate hostility for free markets, private property, and the rule of law. Capital formation, entrepreneurship, credit, and wealth accumulation are uniformly discouraged in poor countries. Private contracts are not reliably enforced, and private property is not secure in the hands of owners. The predictable result is widespread poverty and misery.